AT&T

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December 18, 2001

Via Electronic Filing
Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th St., SW, Room TWB-204
Washington, DC 20554

Re: Proposed First Quarter 2002 Universal Service Contribution Factor, CC Docket No. 96-45

Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket 98-171; Telecommunications Services for Individuals with Hearing Speech Disabilities and the Americans with Disabilities Act of 1990, CC Docket No. 90-571; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72; Number Resource Optimization, CC Docket No. 99-200; and Telephone Number Portability, CC Docket No. 95-116

Dear Ms. Salas:

On Monday December 17, 2001, Joel Lubin, Patrick Merrick and I met with Carol Mattey, Deputy Chief of the Common Carrier Bureau, Katherine Schroder, Chief of the Accounting Policy Division of the Common Carrier Bureau, William Scher and Narda Jones, both of the Accounting Policy Division of the Common Carrier Bureau. The purpose of the meeting was to review AT&T's comments in the Universal Service Contribution Factor docket which requested, if necessary, a modification or waiver of the rule that requires carriers to complete the Telecommunications Reporting Worksheet using revenue figures that are lagged by six months and instead to permit AT&T to utilize a projection of First Quarter 2002 revenues.

The specific proposal was set forth in an ex parte communication filed with the Commission on December 13, 2001. We reviewed the terms of that proposal with the staff and offered to prepare proposed conditions which would attach if the Commission were to grant AT&T's request as well as the mechanics of a true-up mechanism. That document is attached.

In addition, we urged the Commission to continue working towards a permanent mechanism that would eliminate the lag effect in its entirety and adopt a flat-rate assessment mechanism consistent with our comments, reply comments and other Coalition filings in this proceeding.

The positions expressed by AT&T were consistent with those contained in the Comments and ex parte filings previously made in the aforementioned dockets. Two copies of this Notice are being submitted for each of the referenced proceedings in accordance with the Commission's rules.

Very truly yours,

Robert W. Quinn Jr.

Enclosure

cc: Carol Mattey
Katherine Schroder
Narda Jones
William Scher
Kyle Dixon
Jordan Goldstein
Sam Feder
Matthew Brill

OPERATIONALIZING AT&T's WAIVER REQUEST
Effective January 1, 2002

- AT&T files projections of revenues for the 1st Quarter of 2002 with USAC (Prospective 499Q) – 12/19/01
- FCC grants AT&T waiver by December 21, 2001
- USAC calculates the revenue assessment rate for the 1st Quarter of 2002 by dividing the projected USF funding requirements by the revenue base adjusted to remove AT&T historical revenues and replace with AT&T projected revenues for the 1st Quarter of 2002 – December 21, 2001.
- USAC bills respective Carriers based on their submissions according to the current billing schedule – January 15, February 15, and March 15
- All carriers remit contributions according to current payment schedule – February 15, March 15, and April 15
- FCC Issues Order and FNPRM regarding Coalition Proposal – January 15, 2002
- Carriers File revised Form 499-Q as per Coalition Proposal[1] – February 1, 2002
- USAC calculates the appropriate flat-rate assessment for each market segment by dividing the projected USF funding requirements for the 2nd Quarter of 2002 by the line-counts obtained from the Form 499-Q.– February 30
  - Residence wireless and wireline, Single line business, and Wireless business customers would be assigned an assessment rate of $1 per month per line/number
  - Lifeline customers would be assigned $0
  - Pagers would be assigned $0.25 per number per month
  - The Multiline business rate would be calculated as a residual by 1: Applying the respective assessment rates of Residence, Single line business, Wireless, and Pagers to the sum of the Carriers projected line/telephone number counts, 2: Subtracting the amount of anticipated revenue from these

[1] If the Commission requires the continuation of assessments on private line services, then the reporting of these revenues in the Form 499-Q must likewise be continued.

market segments from the projected 2nd Quarter 2002 USF funding requirements, and 3: dividing the remaining funding requirement by the sum of the Carriers projected multiline business customer lines.[2]

- Carriers contribute to USF based on a collect and remit basis –May 30th, June 30th, July 30th
  - Carriers apply USF to monthly billings for April, May, and June
  - Carriers remit USF receipts to USAC on May30th, June 30th, and July 30th

- Continue quarterly until implementation of Permanent Solution

- True-up Mechanism[3] - Applied in 3rd Quarter
  - USAC compares AT&T projected revenues for 1st Quarter with actual revenue from May 1st Form 499-Q[4]
  - USAC calculates the AT&T (plus/minus) adjustment to the 1st Quarter assessment based upon the difference between the projected revenue base and actual revenue base, multiplied by the assessment rate for the respective quarter.
  - USAC applies the AT&T adjustment as an increment to the 3rd Quarter 2002 USF funding requirement[5]
  - USAC settles with AT&T based on the difference between their projected revenues for the 1st Quarter and their actual revenues from their May 1st Form 499-Q.

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[2] If the FCC would prefer to include an assessment on private line services for the interim period, then a percentage assessment, equal to the current FCC presubscribed surcharge factor, could be applied to current interstate private line service revenues, including retail end-user special access. The contributions generated through application of the Commission prescribed surcharge factor to private line service revenues, including retail end-user special access, would be added to the contributions produced from application of the per line and per number rates set forth above, and the sum of the contributions so generated would be subtracted from the USF funding requirement for the 2nd Quarter 2002 to determine the switched Multiline business rate.

[3] True-ups are applicable to any quarter for which usf assessments are based on carrier projected data. Adjustments are made to the usf assessments for the second quarter following the quarter that is based on projected data, i.e., the 1st Quarter 2002 assessments are "trued-up" in the 3rd Quarter 2002.

[4] AT&T will submit a 499Q which reflects the 1st Quarter actual revenues in addition to the 499Q based upon lines.

[5] If AT&T actual revenues for the 1st Quarter exceeded the projections, then the 3rd Quarter 2002 USF funding requirement can be lowered as the difference will be made up by USAC settlements with AT&T. If the projections for the 1st Quarter exceeded AT&T's actual revenues, then the 3rd Quarter 2002 USF funding requirement must be raised to reimburse AT&T, who overpaid in the 1st Quarter.